Weekly Economic Review

Housing starts remain robust

Housing Starts

Residential building advances

The pace of housing starts remained strong in July. Housing starts accelerated 8.1% month-over-month (m/m) to a seasonally adjusted annual rate (SAAR) of 33,535, as a significant gain in multi-unit starts offset a decline in single starts. Regionally, Edmonton rebounded from a five-month low while the pace of activity in Calgary retreated from a two-year high. Housing starts have surpassed 30,000 for five straight months after not reaching that level during 2016. Year-to-date (YTD), SAAR housing starts are up 5,600, a 23.3% gain over 2016 (Chart 1). Strong gains in Calgary and Edmonton and the rebuilding in Wood Buffalo have led the way. Other urban centers and rural areas remain weak.

Nationally, housing starts were up 4.4% m/m to 222,000, led by strong gains in BC (17.7%), while Ontario was nearly unchanged (+1.2% m/m).

New Housing Price Index

New home prices edge lower

New home prices eased for the third month in a row. Alberta's new housing price index (NHPI) was 0.1% lower in June as prices of new homes fell slightly in Edmonton and were unchanged in Calgary. Prices continued to decline on a year-over-year basis, although land prices were up in Calgary. The NHPI is down 1.5% from the December 2014 cyclical peak.

Building Permits

Permits take a step back in June

Alberta building permits fell in June. After adding $180 million in May, the value of Alberta building permits declined by $94 million to $1.1 billion. Weakness was spread across residential and non-residential permit values, as each gave back about half of May's gains. Weakness in non-residential permit values was concentrated in Calgary, which faced broad-based declines. Non-residential permit values in Edmonton improved due to a $45 million uptick in commercial permit values. Despite June's setback, residential permit values in the first half of the year were up 14% compared with 2016. Non-residential permit values were down 19% YTD.

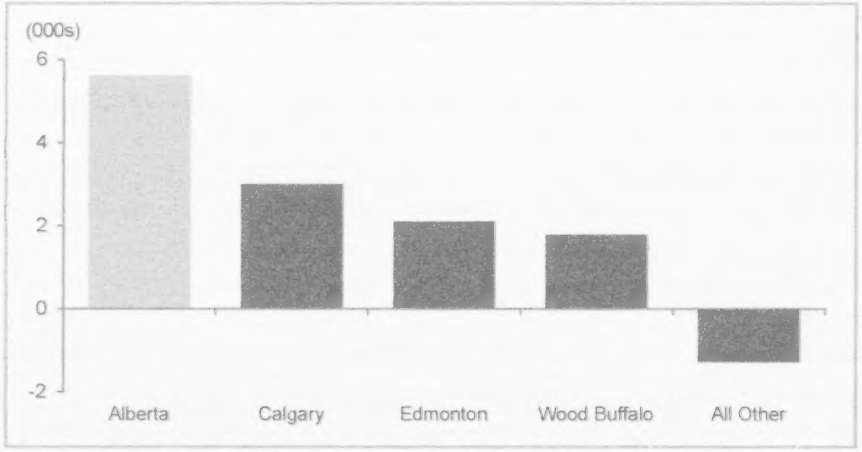
Construction Prices

Calgary leads a mild increase in construction prices

Alberta's non-residential construction price index (NCPI) has been rising since the second quarter of 2016 as construction costs in Calgary have modestly increased for all types of buildings. In the second quarter of 2017, the NCPI rose 0.1%, with prices up 0.2% in Calgary. In Edmonton, construction costs have been stable, as lower costs for industrial buildings have been offset by higher costs for institutional and governmental construction. Led by recent gains in Calgary, Alberta's NCPI grew year-over-year for the first time since the end of 2014, increasing 0.7%.

Chart 1: Housing starts strong in Calgary, Edmonton and Wood Buffalo

Contribution to year-to-date gain in SAAR housing starts



Source: CMHC, Alberta Treasury Board and Finance

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.